

• Allen Park • Brownstown • Dearborn • Dearborn Heights •



## Downriver Community Conference

Financial Report  
with Supplemental Information  
September 30, 2012



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• Romulus • Southgate • Taylor • Trenton • Woodhaven • Wyandotte •

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# **Downriver Community Conference**

**(a local government consortium)**

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**Financial Report**  
**with Supplemental Information**  
**September 30, 2012**

# Downriver Community Conference

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## Independent Auditor's Report

To the Board of Directors  
Downriver Community Conference

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference (DCC) (a local government consortium) as of and for the year ended September 30, 2012, which collectively comprise Downriver Community Conference's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Downriver Community Conference's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference as of September 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors  
Downriver Community Conference

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013 on our consideration of Downriver Community Conference's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Prior to the year ended September 30, 2012, a portion of the Building and Equipment Internal Service Fund related to external parties due to the fact that a significant portion of the building was being rented to a third party. This portion of the activity within the fund was therefore classified as a business-type activity within the government-wide financial statements, with the remaining activity being classified as a governmental activity. During the year ended September 30, 2012, the portion of the building formerly rented by the external party was sold. The remaining activity within the fund benefits the Downriver Community Conference, and is therefore classified as a governmental activity within the government-wide financial statements.

*Plante & Moran, PLLC*

February 20, 2013

# **Downriver Community Conference**

## **Management's Discussion and Analysis**

Our discussion and analysis of Downriver Community Conference's (DCC) financial performance provides an overview of DCC's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with DCC's financial statements.

### **Financial Highlights**

As discussed in further detail in this management's discussion and analysis, the following represent the most significant financial highlights for the year ended September 30, 2012:

- DCC celebrated its 35<sup>th</sup> anniversary in May 2012. The General Fund saw an increase in donations as a result of the anniversary luncheon.
- DCC sold a portion of the building and the football field/stadium to the Creative Montessori Academy (CMA). The building is now considered a condominium. Roof and boiler replacement are expected to occur within the next one to two years.
- DCC has expanded its Employment Services Department into the City of Detroit. Awarded by Detroit Employment Solutions Corp. (DESC), DCC now services Detroit residents for employment services and Trade Adjustment Assistance (TAA).
- DCC obtained additional funding for unemployed workers, Emergency Unemployment Claims (EUC), for both the SEMCA region and Detroit Employment Solutions Corp. (DESC) region. This funding is performance based.
- The Transportation Department will operate three new grants through The Senior Alliance (TSA): Purchase of Services, Care Transitions, and Caregiver Transportation. This will bring in over \$110,000 in funding for the area. The Senior Alliance transportation, New Freedom, and JARC will continue to operate.
- During the current year, the Weatherization Department received \$852,000 to assist low-income residents with heating bills. Assistance for heating bills ranged from \$50 to \$1,000. DCC will receive \$1,000,000 for the 2012-2013 fiscal year for low income energy assistance.
- The Economic Development Department received a National Fish and Wildlife Foundation grant as well as a United States Department of Agriculture grant to assist with restoration efforts for the Detroit Refugeway Gateway at Humbug Marsh. Other EPA grants include an assessment grant, a petroleum grant, and an ARRA Brownfield grant that will cover the area for the next two to three years. DCC continues to run the SBA 504(b) program. This program assists small companies with purchasing a building and/or equipment. The proceeds from the loan support the staff and expenses.

# Downriver Community Conference

## Management's Discussion and Analysis (Continued)

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of DCC as a whole and present a longer-term view of DCC's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the member communities and granting agencies have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how the members' assessments and grant monies were spent during the year, as well as how much is available for future spending. Fund financial statements also report DCC's operations in more detail than the government-wide financial statements.

### DCC as a Whole

The following table shows, in a condensed format, the net assets (deficit) as of September 30, 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current assets	\$ 6,047,021	\$ 5,730,282	\$ -	\$ (14,941)	\$ 6,047,021	\$ 5,715,341
Capital assets	577,521	1,192,368	-	-	577,521	1,192,368
Total assets	6,624,542	6,922,650	-	(14,941)	6,624,542	6,907,709
<b>Liabilities</b>						
Current liabilities	1,084,877	1,830,730	-	-	1,084,877	1,830,730
Long-term liabilities	-	682,637	-	-	-	682,637
Total liabilities	1,084,877	2,513,367	-	-	1,084,877	2,513,367
<b>Net Assets (Deficit)</b>						
Invested in capital assets -						
Net of related debt	577,521	284,036	-	-	577,521	284,036
Restricted	4,062,831	3,954,727	-	-	4,062,831	3,954,727
Unrestricted (deficit)	899,313	170,520	-	(14,941)	899,313	155,579
Total net assets (deficit)	<u>\$ 5,539,665</u>	<u>\$ 4,409,283</u>	<u>\$ -</u>	<u>\$ (14,941)</u>	<u>\$ 5,539,665</u>	<u>\$ 4,394,342</u>

DCC's combined net assets for both governmental and business-type activities totaled \$5,539,665 for fiscal year 2012. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted for a specific purpose/use and invested in capital assets, total approximately \$4,063,000. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total approximately \$899,000.

# Downriver Community Conference

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 244,703	\$ 45,139	\$ -	\$ 449,409	\$ 244,703	\$ 494,548
Operating grants and contributions	10,892,473	15,173,485	-	-	10,892,473	15,173,485
General revenue:						
Unrestricted investment earnings	940,270	-	-	1,122	940,270	1,122
Gain on partial sale of building	874	-	-	-	874	-
Transfers	(14,941)	-	14,941	-	-	-
Total revenue	12,063,379	15,218,624	14,941	450,531	12,078,320	15,669,155
<b>Program Expenses</b>						
General government	365,553	358,828	-	-	365,553	358,828
Employment and training	5,074,348	5,885,920	-	-	5,074,348	5,885,920
Economic development	2,387,351	3,340,755	-	-	2,387,351	3,340,755
Weatherization	2,495,352	3,939,455	-	-	2,495,352	3,939,455
Transportation	313,027	356,641	-	-	313,027	356,641
Building and grounds	194,932	-	-	304,742	194,932	304,742
Interest on long-term debt	102,434	38,577	-	-	102,434	38,577
Total program expenses	10,932,997	13,920,176	-	304,742	10,932,997	14,224,918
<b>Change in Net Assets</b>	<b>\$ 1,130,382</b>	<b>\$ 1,298,448</b>	<b>\$ 14,941</b>	<b>\$ 145,789</b>	<b>\$ 1,145,323</b>	<b>\$ 1,444,237</b>

### Governmental Activities

Governmental activities are those activities (such as employment and training or economic development programs) provided to the constituents of the downriver area. The programs are supported by federal, state, and local grants along with membership assessments paid by the local downriver communities.

The cost of providing services for governmental activities was \$10.9 million for the fiscal year ended September 30, 2012.

### Business-type Activities

DCC's business-type activities consisted of renting vacant space within its building to a third party. During the year, a portion of the building was sold to this third party; therefore, going forward, all building and grounds activity will be included within governmental activities.



# **Downriver Community Conference**

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## **Management's Discussion and Analysis (Continued)**

### **DCC's Funds**

Our analysis of DCC's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not DCC as a whole. The DCC board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. DCC's major funds for 2012 include the General Fund, Employment and Training Fund, Economic Development Fund, Weatherization Fund, and Transportation Fund.

The General Fund pays for most of DCC's governmental services. The most significant are payroll and contracted services, which incurred expenses of approximately \$281,000 in 2012 and \$289,000 in 2011.

### **General Fund Budgetary Highlights**

Over the course of the year, DCC amended the budget to take into account events during the year. DCC departments overall were within budget, resulting in total expenditures in the General Fund to be approximately \$25,000 less than budget, while total revenue in the General Fund was approximately \$8,000 over budget. The General Fund's fund balance increased from approximately \$178,000 a year ago to approximately \$194,000 at September 30, 2012.

### **Capital Assets and Debt Administration**

At the end of 2012, DCC had approximately \$578,000 invested in a broad range of capital assets, including buildings, furniture, and equipment. These assets are necessary to carry out the day-to-day operations of DCC.

At the end of 2011, DCC had \$908,000 in outstanding debt related to the building note. This amount was paid off in November 2011 when a portion of the building was sold.

### **Contacting DCC's Management**

This financial report is intended to provide our citizens, customers, and member communities with a general overview of DCC's finances and to show DCC's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the accounting office.

# Downriver Community Conference

## Statement of Net Assets September 30, 2012

	Primary Government Governmental Activities
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 763,189
Due from other governmental units	5,281,735
Prepaid expenses and other assets	2,097
Capital assets being depreciated - Net (Note 4)	<u>577,521</u>
Total assets	6,624,542
<b>Liabilities</b>	
Accrued liabilities	928,411
Security deposits	2,839
Deferred revenue (Note 5)	<u>153,627</u>
Total liabilities	<u>1,084,877</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	577,521
Restricted for grant expenditures	4,062,831
Unrestricted	<u>899,313</u>
Total net assets	<u><u>\$ 5,539,665</u></u>

# Downriver Community Conference

## Statement of Activities Year Ended September 30, 2012

	Program Revenue			Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>						
Primary government:						
Governmental activities:						
General	\$ 365,553	\$ 22,008	\$ 371,746	\$ 28,201	\$ -	\$ 28,201
Employment and training	5,074,348	495	5,207,798	133,945	-	133,945
Economic development	2,387,351	2,802	2,452,958	68,409	-	68,409
Weatherization	2,495,352	-	2,463,119	(32,233)	-	(32,233)
Transportation	313,027	2,113	294,418	(16,496)	-	(16,496)
Building and equipment	194,932	217,285	-	22,353	-	22,353
Interest on long-term debt	102,434	-	102,434	-	-	-
Total governmental activities	<b>\$ 10,932,997</b>	<b>\$ 244,703</b>	<b>\$ 10,892,473</b>	204,179	-	204,179
General revenue:						
Unrestricted investment earnings				874	-	874
Gain on partial sale of building				940,270	-	940,270
Total general revenue				941,144	-	941,144
Transfers				(14,941)	14,941	-
<b>Change in Net Assets</b>				1,130,382	14,941	1,145,323
<b>Net Assets (Deficit) - Beginning of year</b>				4,409,283	(14,941)	4,394,342
<b>Net Assets - End of year</b>				<b>\$ 5,539,665</b>	<b>\$ -</b>	<b>\$ 5,539,665</b>

# Downriver Community Conference

## Governmental Funds Balance Sheet September 30, 2012

	Major Funds				Nonmajor Special Revenue Fund	Total Governmental Funds
	General Fund	Employment and Training Fund	Economic Development Fund	Weatherization Fund	Transportation Fund	
<b>Assets</b>						
Cash and cash equivalents (Note 3)	\$ 138,159	\$ -	\$ 136,730	\$ 17,978	\$ -	\$ 292,867
Due from other governmental units	44,489	626,691	4,474,554	37,344	41,065	5,224,143
Due from other funds (Note 6)	241,718	65,000	-	-	-	306,718
Prepaid expenses and other assets	1,905	192	-	-	-	2,097
Total assets	<u>\$ 426,271</u>	<u>\$ 691,883</u>	<u>\$ 4,611,284</u>	<u>\$ 55,322</u>	<u>\$ 41,065</u>	<u>\$ 5,825,825</u>
<b>Liabilities and Fund Balances (Deficit)</b>						
<b>Liabilities</b>						
Accrued liabilities	\$ 129,476	\$ 255,222	\$ 477,746	\$ 18,221	\$ 13,130	\$ 893,795
Due to other funds	65,000	213,784	-	-	27,934	306,718
Deferred revenue (Note 5)	37,607	100,497	4,091,146	63,981	31,320	4,324,551
Total liabilities	232,083	569,503	4,568,892	82,202	72,384	5,525,064
<b>Fund Balances (Deficit)</b>						
Nonspendable - Prepaid expenses	1,905	192	-	-	-	2,097
Restricted for grant expenditures	-	122,188	42,392	-	-	164,580
Unassigned (deficit)	192,283	-	-	(26,880)	(31,319)	134,084
Total fund balances (deficit)	194,188	122,380	42,392	(26,880)	(31,319)	300,761
Total liabilities and fund balances (deficit)	<u>\$ 426,271</u>	<u>\$ 691,883</u>	<u>\$ 4,611,284</u>	<u>\$ 55,322</u>	<u>\$ 41,065</u>	<u>\$ 5,825,825</u>
<b>Fund Balance - Total governmental funds</b>						\$ 300,761
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						221,858
Grant receivables not received within 60 days of year end are not available to pay for current year expenditures						4,170,924
The Internal Service Fund is included as part of governmental activities						846,122
<b>Net Assets - Governmental activities</b>						<u>\$ 5,539,665</u>

# Downriver Community Conference

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended September 30, 2012

	Major Funds				Nonmajor Special Revenue Fund	Total
	General Fund	Employment and Training Fund	Economic Development Fund	Weatherization Fund	Transportation Fund	Governmental Funds
<b>Revenue</b>						
Federal grants	\$ -	\$ 4,841,019	\$ 2,217,272	\$ 1,542,626	\$ 348,807	\$ 8,949,724
State and local grants	266,562	407,001	231,396	917,588	27,381	1,849,928
Membership assessments	99,750	-	-	-	-	99,750
Charges for services	4,214	495	2,802	-	2,113	9,624
Contributions	13,705	-	1,919	-	-	15,624
Other	17,794	-	-	58	3,498	21,350
Total revenue	402,025	5,248,515	2,453,389	2,460,272	381,799	10,946,000
<b>Expenditures</b>						
Wages	10,529	3,142,274	308,549	259,640	196,801	3,917,793
Fringe benefits	1,902	978,485	71,852	78,348	51,536	1,182,123
Contracted services	268,540	78,006	1,886,486	1,079,603	-	3,312,635
Building rent and maintenance	11,038	473,112	27,984	44,139	37,034	593,307
Professional fees	17,076	62,132	66,093	126,672	3,961	275,934
Other	47,551	312,746	25,579	898,748	23,037	1,307,661
Total expenditures	356,636	5,046,755	2,386,543	2,487,150	312,369	10,589,453
<b>Excess of Revenue Over (Under) Expenditures</b>	45,389	201,760	66,846	(26,878)	69,430	356,547
<b>Other Financing (Uses)</b>						
<b>Sources</b>						
Transfers in (Note 6)	-	-	15,893	-	12,824	28,717
Transfers out (Note 6)	(28,717)	-	-	-	-	(28,717)
Total other financing (uses) sources	(28,717)	-	15,893	-	12,824	-
<b>Net Change in Fund Balances</b>	16,672	201,760	82,739	(26,878)	82,254	356,547
<b>Fund Balances (Deficit) -</b>						
Beginning of year	177,516	(79,380)	(40,347)	(2)	(113,573)	(55,786)
<b>Fund Balances (Deficit) -</b>						
End of year	<u>\$ 194,188</u>	<u>\$ 122,380</u>	<u>\$ 42,392</u>	<u>\$ (26,880)</u>	<u>\$ (31,319)</u>	<u>\$ 300,761</u>

The Notes to Financial Statements are an  
Integral Part of this Statement.

## **Downriver Community Conference**

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### **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended September 30, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>356,547</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(45,470)
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Loss on disposal of capital assets is not reported in the governmental funds	(708)
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Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB Statement No. 33)	(26,109)
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Internal Service Fund is included as part of governmental activities	<u>846,122</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u><u>1,130,382</u></u></b>
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# Downriver Community Conference

## Internal Service Fund - Building and Equipment Fund Statement of Net Assets September 30, 2012

### Assets

#### Current assets:

Cash and cash equivalents (Note 3)	\$ 470,322
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Due from other governmental units	57,592
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Noncurrent assets - Capital assets being depreciated - Net (Note 4)	<u>355,663</u>
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Total assets	883,577
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### Liabilities

#### Current liabilities:

Accrued and other liabilities	34,616
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Security deposits	<u>2,839</u>
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Total liabilities	<u>37,455</u>
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### Net Assets

Invested in capital assets - Net of related debt	355,663
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Unrestricted	<u>490,459</u>
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Total net assets	<u><u>\$ 846,122</u></u>
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# Downriver Community Conference

## Internal Service Fund - Building and Equipment Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended September 30, 2012

	Internal Service Fund - Building and Equipment
<b>Operating Revenue - Rent</b>	\$ 715,803
<b>Operating Expenses</b>	
Wages	278,027
Fringe benefits	94,361
Professional fees	30,231
Maintenance and repairs	94,951
Depreciation	58,939
Other	<u>136,941</u>
Total operating expenses	<u>693,450</u>
<b>Operating Income</b>	22,353
<b>Nonoperating Revenue (Expense)</b>	
Investment income	874
Interest expense	(102,434)
Gain on partial sale of building	<u>940,270</u>
Total nonoperating revenue	<u>838,710</u>
<b>Increase in Net Assets</b>	861,063
<b>Net Deficit - Beginning of year</b>	<u>(14,941)</u>
<b>Net Assets - End of year</b>	<u><u>\$ 846,122</u></u>



# Downriver Community Conference

## Internal Service Fund - Building and Equipment Fund Statement of Cash Flows Year Ended September 30, 2012

	Internal Service Funds
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 663,821
Payments to suppliers	(332,793)
Payments to employees	<u>(372,388)</u>
Net cash used in operating activities	(41,360)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from sale of assets	1,450,000
Principal and interest paid on capital debt	<u>(1,010,766)</u>
Net cash provided by capital and related financing activities	439,234
<b>Cash Flows from Investing Activities</b> - Interest income received	<u>874</u>
<b>Net Increase in Cash and Cash Equivalents</b>	398,748
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>71,574</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><u>\$ 470,322</u></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 22,353
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	58,939
Gain on partial sale of building	-
Changes in assets and liabilities:	
Due from other governmental units	(51,504)
Accrued and other liabilities	<u>(71,148)</u>
Net cash provided by operating activities	<u><u>\$ (41,360)</u></u>

# **Downriver Community Conference**

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## **Notes to Financial Statements September 30, 2012**

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Downriver Community Conference (DCC) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

#### **Reporting Entity**

DCC is organized as an interlocal public agency formed under Public Act 7 of 1967 and is comprised of 20 communities located in the southern Wayne County area of metropolitan Detroit, Michigan. DCC is funded mainly by assessments charged to member communities and grants through various state and federal agencies. Revenue is used to fund benefits and programs for the member communities as well as for additional areas assigned by grantors. DCC's financial statements are prepared using governmental accounting principles since its ownership consists solely of local units of government. The accounting policies of DCC conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

DCC has excluded Downriver Mutual Aid from this report since DCC does not exercise substantial oversight responsibility. Downriver Mutual Aid's financial statements will be issued under separate cover.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of DCC. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by member assessments and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on rental fees for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest income and other items not properly included among program revenue are reported instead as general revenue.

# Downriver Community Conference

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## Notes to Financial Statements September 30, 2012

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, DCC considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Certain federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with deferred revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

DCC reports the following major governmental funds:

**General Fund** - The General Fund is DCC's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Employment and Training Special Revenue Fund** - The Employment and Training Special Revenue Fund accounts for the revenue and expenditures of federal and state employment and training grant programs. These programs include Work First and JET programs, Workforce Investment Act programs, employment service programs, and other smaller miscellaneous training grants.

# Downriver Community Conference

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## Notes to Financial Statements September 30, 2012

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Economic Development Special Revenue Fund** - The Economic Development Special Revenue Fund accounts for the revenue and expenditures of federal and state economic development grant programs. These programs include Department of Defense programs and specific economic development programs associated with local downriver companies. In addition, the Economic Development Fund accounts for the activities of the Downriver Area Brownfield Consortium.

**Weatherization Special Revenue Fund** - The Weatherization Special Revenue Fund accounts for the revenue and expenditures of federal and state grant programs. These programs include Department of Energy, low-income housing energy assistance programs, weatherization assistance programs, and client education programs.

Additionally, DCC reports the following fund type:

**Internal Service Fund - Building and Equipment Fund** - The Building and Equipment Internal Service Fund accounts for building and equipment purchases and maintenance that get charged to both DCC grant programs as well as outside tenants.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. DCC has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, DCC's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is DCC's policy to spend funds in this order: committed, assigned, and unassigned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to rental revenue and maintenance fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Downriver Community Conference

## Notes to Financial Statements September 30, 2012

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Assets, Liabilities, and Net Assets or Equity

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Capital Assets** - Capital assets, which include buildings, improvements, and equipment, are reported in the governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by DCC as assets with an initial individual cost of more than \$5,000 for the Building and Equipment Fund, \$500 for the governmental funds, and \$200 for items purchased with grant funds from the Southeast Michigan Community Alliance and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings and equipment, including vehicles, are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	5-20 years
Furniture and equipment	3-5 years

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

**Fund Equity** - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact

# Downriver Community Conference

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## Notes to Financial Statements September 30, 2012

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of directors.
- **Assigned:** Intent to spend resources on specific purposes expressed by the board of directors
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**Federal Income Taxes** - DCC is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made in the accompanying financial statements.

**Concentration Risk** - DCC has several government contracts that represent 99 percent of total revenue for the year ended September 30, 2012 and 24 percent of the accounts receivable balance at September 30, 2012.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Fund Deficits** - DCC has an accumulated fund deficit in the Weatherization Fund of \$26,880 and in the Transportation Fund of \$31,319. These are mainly a result of grant revenue not recorded as revenue in the current year due to GASB Statement No. 33, as discussed in Note 5.

# Downriver Community Conference

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## Notes to Financial Statements September 30, 2012

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. DCC is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

DCC has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

Downriver Community Conference's deposits and investment policies are in accordance with statutory authority.

Downriver Community Conference's cash and investments are subject to two types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, Downriver Community Conference's deposits may not be returned to it. Downriver Community Conference does not have a deposit policy for custodial credit risk. The bank deposits of both Downriver Community Conference and related party Downriver Mutual Aid (described in Note 9) are held in Downriver Community Conference's name. Therefore, the custodial credit risk can only be calculated on an overall basis for both entities. Overall, Downriver Community Conference and Downriver Mutual Aid had \$3,776,000 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized at September 30, 2012. The cash balances recorded on the financial statements for Downriver Community Conference and Downriver Mutual Aid at September 30, 2012 totaled \$763,189 and \$4,230,242, respectively. DCC believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, DCC evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Downriver Community Conference

## Notes to Financial Statements September 30, 2012

### Note 3 - Deposits and Investments (Continued)

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. DCC's investment policy does not further limit its investment choices. As of year end, Downriver Community Conference had no investments subject to credit risk.

### Note 4 - Capital Assets

Capital asset activity of DCC's governmental activities was as follows:

	Balance September 30, 2011	Additions	Disposals and Adjustments	Balance September 30, 2012
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 388,000	\$ -	\$ (388,000)	\$ -
Capital assets being depreciated:				
Buildings and improvements	3,531,561	-	(953,385)	2,578,176
Furniture and equipment	799,691	750	(91,911)	708,530
Subtotal	4,331,252	750	(1,045,296)	3,286,706
Accumulated depreciation:				
Buildings and improvements	2,995,229	58,939	(831,655)	2,222,513
Furniture and equipment	531,655	46,220	(91,203)	486,672
Subtotal	3,526,884	105,159	(922,858)	2,709,185
Net capital assets being depreciated	804,368	(104,409)	(122,438)	577,521
Net capital assets	<u>\$ 1,192,368</u>	<u>\$ (104,409)</u>	<u>\$ (510,438)</u>	<u>\$ 577,521</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 8,209
Employment and training	28,343
Transportation	658
Economic development	808
Weatherization	8,202
Internal Service Fund depreciation - Charged to the various functions based on their usage of the asset	<u>58,939</u>
Total governmental activities	<u>\$ 105,159</u>



# Downriver Community Conference

## Notes to Financial Statements September 30, 2012

### Note 5 - Deferred Revenue

Deferred revenue at September 30, 2012 is as follows:

	Advances on Grants	Revenue Not Available to Finance Current Expenditures	Total
Major funds:			
General Fund	\$ 32,857	\$ 4,750	\$ 37,607
Employment and Training Fund	12,961	87,536	100,497
Economic Development Fund	70,708	4,020,438	4,091,146
Weatherization Fund	37,101	26,880	63,981
Transportation Fund	-	31,320	31,320
Total	<u>\$ 153,627</u>	<u>\$ 4,170,924</u>	<u>\$ 4,324,551</u>

**Advances on Grants** - DCC receives funds from federal and state governments under various acts to enable DCC to conduct special programs. Funds received and unexpended as of September 30, 2012 are accounted for as deferred revenue. When expenditures are incurred, revenue is recognized and deferred revenue is reduced. Upon conclusion of the program, unexpended grant funds related to advances are refunded.

**Revenue Not Available to Finance Current Expenditures** - GASB Statement No. 33 requires all governmental fund revenue to be recognized only when available to finance expenditures of the current period (received within 60 days of year end). The balances above represent state and federal grant reimbursements that were not received within 60 days of year end. Receipt of these reimbursements will alleviate a significant portion of the fund deficits.

### Note 6 - Interfund Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Employment and Training Fund	\$ 213,784
General Fund	Transportation Fund	27,934
Employment and Training Fund	General Fund	65,000
	Total	<u>\$ 306,718</u>

# Downriver Community Conference

## Notes to Financial Statements September 30, 2012

### Note 6 - Interfund Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The interfund transfers reported in the fund financial statements are comprised of the following for operating purposes:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Economic Development Fund	\$ 15,893
General Fund	Transportation Fund	12,824
	Total	<u>\$ 28,717</u>

The General Fund transferred funds to the Transportation Fund and Economic Development Fund to provide matching funds for grants.

### Note 7 - Long-term Debt

Effective May 2, 2003, DCC entered into a promissory note with a bank for \$2,300,000. The balance of this note was payable May 2, 2008 and was refinanced by management on this date. The balance of \$1,562,343 was refinanced, had a stated interest rate of 6.58 percent, and was collateralized by the building and assignment of leases. The balance of the note at September 30, 2012 is \$0. In November 2011, Downriver Community Conference sold a portion of its building for \$2.1 million. The portion of the building sold had been rented to a Montessori School for many years. The school purchased the portion of the building it was previously renting. The mortgage was extinguished with a portion of the sale proceeds.

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Building note:						
Amount of issue - \$1,562,343						
Maturing through 2012	6.58%	\$ 908,332	\$ -	\$ 908,332	\$ -	\$ -

# **Downriver Community Conference**

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## **Notes to Financial Statements September 30, 2012**

### **Note 8 - Risk Management**

DCC is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). DCC has purchased commercial insurance for these claims. DCC is also exposed to various risks of loss related to medical benefits provided to employees. DCC is fully insured for these claims.

DCC is highly dependent on federal and state grants. Any significant loss of grant funding could negatively impact DCC's ongoing operations as the grants are needed to cover significant administrative costs.

### **Note 9 - Related Party Transactions**

DCC performs administrative and accounting services for Downriver Mutual Aid, a separate legal entity. The majority of the municipalities that are members of DCC are also members of Downriver Mutual Aid. During the year ended September 30, 2012, there were transactions related to the central cost allocation plan and expenditure reimbursements between DCC and Downriver Mutual Aid totaling approximately \$14,900.

### **Note 10 - Employee Benefits**

Per board resolution, all DCC employees are eligible to establish a tax-sheltered annuity account that is funded by payroll withholdings. In addition, DCC matches employees' contributions up to 4 percent through payments to an insurance carrier. Contributions are fully vested. For the fiscal year ended September 30, 2012, employees' contributions and employer's contributions were approximately \$189,000 and \$97,000, respectively.

### **Note 11 - Upcoming Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses financial reporting related to service concession arrangements, which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. Downriver Community Conference is currently evaluating the impact this standard will have on the financial statements when adopted during the 2012-2013 fiscal year.

# Downriver Community Conference

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## Notes to Financial Statements September 30, 2012

### Note 11 - Upcoming Accounting Pronouncements (Continued)

In December 2010, the GASB issue Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. Downriver Community Conference is currently evaluating the impact this standard will have on the financial statements when adopted during the 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

## **Required Supplemental Information**

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# Downriver Community Conference

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
<b>Fund Balance - Beginning of year</b>	\$ 143,463	\$ 159,445	\$ 177,516	\$ 18,071
<b>Resources (Inflows)</b>				
State and local grants	258,475	258,475	266,562	8,087
Membership assessments	95,000	90,250	99,750	9,500
Charges for services	3,500	3,500	4,214	714
Contributions	5,000	25,175	13,705	(11,470)
Other	32,000	32,000	33,003	1,003
Total resources (inflows)	393,975	409,400	417,234	7,834
<b>Expenditures (Outflows)</b>				
Wages	36,000	36,500	10,529	25,971
Fringe benefits	11,763	11,548	1,902	9,646
Contracted services	253,352	253,352	268,540	(15,188)
Building rent and maintenance	18,150	20,450	11,038	9,412
Professional fees	10,200	11,200	17,076	(5,876)
Other	44,510	79,342	62,760	16,582
Transfers to other funds	20,000	13,000	28,717	(15,717)
Total expenditures (outflows)	393,975	425,392	400,562	24,830
<b>Fund Balance - End of year</b>	<b>\$ 143,463</b>	<b>\$ 143,453</b>	<b>\$ 194,188</b>	<b>\$ 50,735</b>

# Downriver Community Conference

## Note to Required Supplemental Information September 30, 2012

### Note - Budgetary Information

The annual budget is prepared by DCC's management and adopted by the board of directors at a functional level. Subsequent amendments are approved by the board of directors.

Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2012 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, other than transfers in/out, which are budgeted as revenue/expenditures rather than other financing sources (uses) and internal reimbursements, which are budgeted as revenue/expenditures rather than netted together.

The budgetary comparison schedule for the General Fund is presented on the same basis of accounting used in preparing the adopted budget. The Employment and Training, Economic Development, Weatherization, and Transportation Funds have been budgeted; however, those budgets are prepared on a program-year basis that differs from DCC's year end. Due to the fact that the budgets adopted and the financial information presented are not for the same period, their financial activity has been omitted from the required supplemental information.

A reconciliation of the budgetary comparison schedule for the General Fund to the fund-based statement of changes in fund balance is as follows:

		Total
	Total Revenue	Expenditures
Amounts per operating statement	\$ 402,025	\$ (356,636)
Reimbursing transfers from other funds	15,209	(15,209)
Operating transfers	-	(28,717)
Amounts per budget statement	<u>\$ 417,234</u>	<u>\$ (400,562)</u>

**Excess of Expenditures Over Appropriations in the Budgeted Funds** - The General Fund had expenditures greater than amounts budgeted in contracted services because Wayne County Youth sub-providers used carryover from prior years that was not anticipated in or included in the budget. The General Fund had expenditures greater than amounts budgeted in transfers to other funds because DCC received higher allocations from funding sources late in the year which increased match requirements.

February 20, 2013

To the Board of Directors  
Downriver Community Conference

We have audited the financial statements of Downriver Community Conference (DCC) as of and for the year ended September 30, 2012 and have issued our report thereon dated February 20, 2013. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Communications Required Under SAS 114

Section II - Informational Items and Recommendations

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the board of directors of Downriver Community Conference.

Section II presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping Downriver Community Conference in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness. It also contains informational items that we believe will be of interest to you.

In addition to the comments and recommendations in this letter, our observations and comments regarding Downriver Community Conference's internal control, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the supplemental schedule of federal awards, and we recommend that the matters we have noted there receive your careful consideration.

We would like to take this opportunity to thank Downriver Community Conference's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of directors and management of Downriver Community Conference and is not intended to be and should not be used by anyone other than these specified parties.



To the Board of Directors  
Downriver Community Conference

February 20, 2013

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "Beth Bialy". The script is cursive and fluid.

Beth A. Bialy

A handwritten signature in black ink that reads "Marie Stiegel". The script is cursive and fluid.

Marie Stiegel

## **Section I - Communications Required Under SAS 114**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated November 26, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Downriver Community Conference. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of Downriver Community Conference's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of Downriver Community Conference's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated February 20, 2013 regarding our consideration of Downriver Community Conference's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We are also obligated to communicate certain matters related to our audit to those responsible for the governance of Downriver Community Conference, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated November 26, 2012.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Downriver Community Conference are described in Note I to the financial statements.

No new accounting policies and the application of existing policies was not changed during 2012.

We noted no transactions entered into by Downriver Community Conference during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant components in the financial statements based on sensitive management estimates other than the reflection of the gain on the sale of the portion of the building, as the allocation of the cost of the building between the DCC and the purchaser is based on estimation.

The disclosures in the financial statements are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was a material misstatement detected as a result of audit procedures related to EUC deferred revenue that should instead have been recognized as revenue that was corrected by management. Management had treated this grant in a fashion similar to the handling of most of the DCC's grants, but this particular grant was not a reimbursement grant or advance funded. There was an uncorrected misstatement of the financial statements related to deferred revenue associated with advance funded grants or donations that should instead be recognized as revenue. Management has determined that the effect of this uncorrected misstatement is immaterial, both individually and in the aggregate, to the financial statements then as a whole.

***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated February 20, 2013.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Downriver Community Conference's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Section II - Informational Items and Recommendations**

### **Financial Status of Funds**

The following table reflects deficits in the special revenue funds:

	<u>Fund Deficit</u>	<u>GASB Statement No. 33 Deferral</u>	<u>True Net Operating Deficit</u>
Weatherization	\$ 26,880	\$ 26,880	\$ -
Transportation	31,319	31,320	-

Due to GASB Statement No. 33, Downriver Community Conference (DCC) is not allowed to offset any expenditures with revenue if the related funds are not received within 60 days of year end. Therefore, all grant reimbursements not received by November 30, 2012 are not recognized as revenue for the year under audit. Conversely, amounts that were deferred in the prior year due to GASB Statement No. 33 implementation were recognized as income in the current year. In an effort to minimize deficits related to this pronouncement, DCC should continue to submit timely requests for reimbursements.